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U.S. DISTRICT COURT  
DISTRICT OF COLORADO

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IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF COLORADO

Civil Action No. **04-WM-2030(OES)** BY \_\_\_\_\_ DEP. CLK

UNITED STATES OF AMERICA,

Plaintiff,

v.

ERIC WESLEY LYNCH,

Defendant.

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**COMPLAINT FOR PERMANENT INJUNCTION  
AND OTHER RELIEF**

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The United States of America, plaintiff, for its Complaint against the defendant, Eric Wesley Lynch, states as follows.

**Nature of Action**

1. The United States brings this complaint to enjoin Eric Wesley Lynch, individually and doing business as or through any other entity, and any other persons in active concert or participation with him, from directly or indirectly:

- (a) Organizing, promoting, marketing, or selling any tax shelter, plan or arrangement that advises or encourages customers to attempt to violate the internal revenue laws or unlawfully evade the assessment or collection of their federal tax liabilities;
- (b) Making false or fraudulent statements about the securing of any tax benefit by the reason of participating in any tax plan or arrangement, including the false statement that individuals can remove themselves from the tax system by

participating in the plan or arrangement;

- (c) Encouraging, instructing, advising and assisting others to violate the tax laws, including to evade the payment of taxes;
- (d) Engaging in conduct subject to penalty under 26 U.S.C. § 6700, *i.e.*, by making or furnishing, in connection with the organization or sale of a shelter, plan, or arrangement, a statement the defendant knows or has reason to know to be false or fraudulent as to any material matter under the federal tax laws;
- (e) Engaging in conduct subject to penalty under 26 U.S.C. § 6701, *i.e.*, preparing or assisting others in the preparation of any tax forms or other documents to be used in connection with any material matter arising under the internal revenue laws and which the defendant knows will (if so used) result in the understatement of tax liability; and
- (f) Engaging in any conduct that interferes with the administration and enforcement of the internal revenue laws.

2. An injunction is warranted based on the defendant's continuing conduct as a promoter of an abusive tax plan. If he is not enjoined, the defendant's continuing actions will result in the Internal Revenue Service having to devote scarce resources to attempt to locate and investigate the defendant's customers, who by participation in the defendant's scheme have illegally stopped filing federal income tax returns and paying their federal income taxes. The defendant's actions, if not stopped, may result in penalties and other civil and criminal sanctions being imposed on those customers.

### **Jurisdiction and Venue**

3. Jurisdiction is conferred on this Court by 28 U.S.C. §§ 1340 and 1345, and §§ 7402(a) and 7408 of the Internal Revenue Code of 1986 (26 U.S.C.; the "Code").

4. Venue is proper in this Court pursuant to 28 U.S.C. § 1391.

### **Authorization**

5. This action has been requested by the Chief Counsel of the Internal Revenue Service, a delegate of the Secretary of Treasury, and commenced at the direction of a delegate of the Attorney General of the United States, pursuant to Code §§ 7402 and 7408.

### **Defendant**

6. Eric Wesley Lynch resides at 4580 Yukon Court, # 27, Wheat Ridge, Colorado 80033.

### **Defendants' Activities**

7. Lynch promotes and sells a fraudulent tax promotion that purports to exempt participants from the nation's tax laws.

8. Lynch gives customers who join his program a document package that includes numerous forms that purport to remove the customers from the federal income tax system and the social security system. Lynch sends various forms to customers for them to sign and then send to the IRS, the President, the Attorney General, the Supreme Court, the Social Security Administration and other government departments and agencies, notifying those persons or entities that the signer is no longer a United States citizen and no longer subject to their jurisdiction or laws. The forms specifically request a return of all funds previously paid for federal taxes and social security, and threaten tort claims against officials who fail to return the funds.

9. Lynch falsely tells prospective customers that through use of his program a person will have no obligation to file federal income tax returns or pay income or social security taxes. He also falsely informs customers that his program will enable them to get refunds of taxes

previously paid.

10. Lynch states that a purpose of his program is to remove participants from the “federal radar screen.”

11. Frequently, as a part of his program, customers will give Lynch a power of attorney to represent them before the IRS with respect to their federal income taxes.

12. The price Lynch charges for his program varies between \$200 and \$1,500, plus a percentage of any refunds received from the federal government.

13. In promoting and explaining his scheme, Lynch has made the following false or fraudulent statements:

- If you are not a U.S. citizen, you are not obligated to pay income taxes.
- Participants in his program are no longer under the jurisdiction of the IRS.
- The federal government has jurisdiction only within the confines of Washington, D.C., and the United States territories.
- His program allows persons to terminate all so-called contracts with the federal government, thereby relieving them of their income tax obligations.
- Taxation is voluntary.

14. Participation in Lynch’s fraudulent program results in customers failing to file federal income tax returns, failing to have the proper amount of federal income taxes withheld from wages, and failing to pay their federal tax liabilities. Participants in the program are located nationwide.

15. Lynch is described as a legal researcher who is devoted to helping people remove themselves from the federal tax system.

**Count I**  
**Injunction under Code § 7408 for violations of Code §§ 6700 and 6701**

16. The United States incorporates by reference the allegations contained in paragraphs 1 through 15.

17. Code § 7408 authorizes a court to enjoin persons who have engaged in conduct subject to penalty under Code §§ 6700 or 6701 from engaging in further such conduct.

18. Code § 6700 imposes a penalty on any person who organizes or sells a plan or arrangement and in so doing makes a statement with respect to the allowability of any deduction or credit, the excludability of any income, or the securing of any tax benefit by participating in the plan or arrangement that the person knows or has reason to know is false or fraudulent as to any material matter.

19. Code § 6701 imposes a penalty on any person who aids in or advises with respect to the preparation of any portion of a tax return or other document that the person knows or has reason to believe will be used in connection with a material matter under the internal revenue laws, and that the person knows would result in an understatement of tax liability.

20. Lynch organizes and sells a fraudulent tax scheme. In organizing and selling the scheme, Lynch makes statements regarding the tax benefits associated with participation in the scheme that he knows or has reason to know are false or fraudulent as to material matters within the meaning of Code § 6700. Lynch has engaged in conduct subject to penalty under Code § 6700.

21. Lynch aids or assists in, or advises with respect to, the preparation of tax returns or other documents, knowing (or having reason to believe) that such documents would be used in

connection with a material matter arising under the internal revenue laws. Lynch knows that the documents, if so used, will result in the understatement of the participant's tax liability. Lynch has engaged in conduct subject to penalty under § 6701.

22. Lynch has persisted in promoting his fraudulent tax scheme after being advised that his conduct was subject to penalty under Code §§ 6700 or 6701, and subject to injunction under Code § 7408.

23. Unless enjoined by this Court, Lynch is likely to continue to organize and sell his fraudulent tax scheme.

**Count II**  
**Injunction under Code § 7402**

24. The United States incorporates by reference the allegations contained in paragraphs 1 through 23.

25. Code § 7402 authorizes Courts to issue injunctions as may be necessary or appropriate for the enforcement of the internal revenue laws.

26. Lynch, through the actions described above, has engaged in conduct that interferes substantially with the administration and enforcement of the internal revenue laws.

27. Lynch's conduct results in irreparable harm to the United States and the United States has no adequate remedy at law. Lynch's conduct is causing and will continue to cause substantial revenue losses to the United States Treasury, much of which may be unrecoverable.

28. Unless Lynch is enjoined, the IRS will have to devote substantial time and resources to identify and locate his customers, and then construct and examine those persons' tax returns and liabilities. The burden of pursuing individual customers may be an insurmountable obstacle,

given the IRS's limited resources.

29. If Lynch is not enjoined, he likely will continue to engage in conduct that obstructs and interferes with the enforcement of the internal revenue laws.

### **Relief Sought**

WHEREFORE, the United States prays for the following relief:

A. That the Court find that the defendant has engaged in conduct subject to penalty under Code §§ 6700 and 6701, and that injunctive relief is appropriate under Code § 7408 to prevent the defendant, and any business or entity through which he operates, and anyone acting in concert with him, from engaging in further such conduct;

B. That the Court find that the defendant has engaged in conduct that interferes with the enforcement of the internal revenue laws, and that injunctive relief against the defendant, and any business or entity through which he operates, and anyone acting in concert with him, is appropriate to prevent the recurrence of that conduct pursuant to the Court's powers under Code § 7402(a);

C. That the Court, pursuant to Code §§ 7402 and 7408, enter a permanent injunction prohibiting the defendant, individually and doing business through any other entity, and his representatives, agents, servants, employees, attorneys, and those persons in active concert or participation with him, from directly or indirectly:

- (1) Organizing, promoting, marketing, or selling any tax shelter, plan or arrangement that advises or encourages taxpayers to attempt to violate the internal revenue laws or unlawfully evade the assessment or collection of their federal tax liabilities;
- (2) Making false statements about the securing of any tax benefit by the reason of

participating in his program, including the false statement that individuals can remove themselves from the federal tax system by participating in his program;

- (3) Encouraging, instructing, advising and assisting others to violate the tax laws, including to evade the payment of taxes;
- (4) Engaging in conduct subject to penalty under 26 U.S.C. § 6700, *i.e.*, by making or furnishing, in connection with the organization or sale of an abusive shelter, plan, or arrangement, a statement the defendant knows or has reason to know to be false or fraudulent as to any material matter under the federal tax laws;
- (5) Engaging in conduct subject to penalty under 26 U.S.C. § 6701, *i.e.*, preparing or assisting others in the preparation of any tax forms or other documents to be used in connection with any material matter arising under the internal revenue laws and which the defendant knows will (if so used) result in the understatement of tax liability; and
- (6) Engaging in any conduct that interferes with the administration and enforcement of the internal revenue laws.

D. That this Court, pursuant to Code § 7402, enter an injunction requiring defendant to produce to the United States any records in his possession or control, or to which he has access, identifying the names, addresses, and social security numbers of persons who have bought his abusive tax plans, arrangements or programs, and to file with the Court, within 20 days of the date the permanent injunction is entered, a certification that he has done so;

E. That this Court, pursuant to Code § 7402, enter an injunction requiring defendant to contact by mail all individuals who have previously purchased his abusive tax shelters, plans, arrangements or programs, and inform those individuals of the Court's findings concerning the falsity of the defendant's prior representations and attach a copy of the permanent injunction against the defendant, and to file with the Court, within 20 days of the date the permanent injunction is entered, a certification that he has done so;



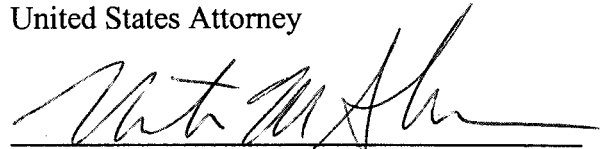
F. That this Court, pursuant to Code § 7402, enter an injunction prohibiting defendant from representing any other persons before the Internal Revenue Service for any reason;

G. That this Court order that the United States is permitted to engage in post-judgment discovery to ensure compliance with the permanent injunction;

H. That this Court retain jurisdiction over this action for purposes of implementing and enforcing the final judgment and any additional orders necessary and appropriate to the public interest; and

I. For such other and further relief as this Court may deem proper and just.

JOHN W. SUTHERS  
United States Attorney

A handwritten signature in black ink, appearing to read 'Martin M. Shoemaker', is written over a horizontal line.

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